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REVISED EDITION.

LEGER

OF

HITCHCOCK'S NEW METHOD

OF

TEACHING

BOOK-KEEPING.

BOSTON:
SANBORN, CARTER, BAZIN & CO.

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Gift Worcester Historical Society, Dec. 31, 1923.

~~Charles~~ ~~Boyden~~

Worcester

Mass.

C. Maynard

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LEGER

OF

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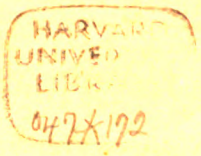

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LESSON VI.

Directions for Opening Accounts, Posting, and proving that Posting.

INTRODUCTION.

401. The purpose of this book is already described (14, 25 to 31 incl.). Directions for properly forming it, called *posting* (410), shall now be given.

402. And first, the pupil must be impressed with the importance of the strictest adherence to systematical arrangement in performing this part of his business. He may adopt an order and arrangement of his own, such as shall suit his taste, or be dictated by his judgment, but he must be punctiliously exact in pursuing it *without deviation*. The following plan will be found convenient for a learner. The accountant may form his own.

SECTION I.

Proper order of Accounts in a Leger.

403. Accounts of a primary nature ought to occupy the forepart of a Leger. I would recommend the following order.—1. Stock; 2. Merchandise (and its branches (54) if you keep any); 3. Cash; 4. Bills Receivable; 5. Bills Payable; and 6. Profit and Loss; and then its branches—Commission, Interest, Expense, Insurance, (which are used in this treatise, 464) and all others that the owner sees fit to keep (29). After these it is well to open those Real Accounts (46) which are to be kept, such as Real Estate, Ships, and Moveables, especially if they occur in the Inventory (15). After these, follow Personal and all other Accounts, in the order in which they occur in the Journal.

404. The first act that the learner has to perform in the Leger, is to open the six primary accounts above-named, and as many of their branches as are to be used (403).

405. *Note.*—In this treatise are to be first opened the above-named six, and then the four branches of Profit and Loss above-named, and next Real Estate. Then follow Personals (445).

406. This opening consists in merely writing the titles* of the accounts, in large text letters, at the top (or sometimes in the middle) of a page or folio, allotting a suitable space in the Leger to each account, according to the room it will be likely to require (26).

407. * *Note.*—The custom of writing *Dr.* preceding the title in the Leger, and the heading of an account current, and *Cr.* after them, to designate the debtor and creditor sides of the account, is very ancient and general; but as these marks are quite unnecessary for any other purpose than ornament (23), the author has relinquished the use of them in his practice, and would recommend to others a like relinquishment, because the practice is perfectly inutile: but it is of course a matter of mere form; they may be used or omitted at the pleasure of the Book-keeper. They ought to be retained for expletives in a Journal formed like that of the first set of books in this treatise.

408. As soon as you have written the title of an account in the Leger, as above directed, turn immediately, and without delay, to the proper page of the Alphabetical Index* (30), and there insert the title, if of a personal account, under the initial letter of the last or surname, putting that name first. Thus, (under S) *Smith John*, adding the number of the Leger folio where the account is opened. But if any other than a personal account, insert the title under its first initial: thus, Bills Receivable, under B; Profit and Loss, under P, &c. (446).

409. * Although the index to *this* Leger, for particular reasons, is printed, yet this direction is not on that account less useful for common practice. The omission to insert in the Alphabet a title when the account is opened in the Leger, might, and very probably would, cause considerable trouble for the Book-keeper.

Questions.

What is the purpose of the Leger?

What is the first requisite for one who would keep a Leger correctly and handsomely?

Is there any fixed or established order and arrangement to be observed by all who post books?

What order ought to be observed in opening accounts in a Leger?

What is said of branches of Merchandise account?

What branches are there of Profit and Loss account?

What is the first act which a Book-keeper has to perform in the Leger?

In what does the opening of an account consist?

What custom respecting the abbreviations Dr. and Cr is noticed, and what is said of it?

Where ought they to be retained, as expletives for ornament?

What must be done, without defalcation or delay, after opening an account in the Leger?

What rule do you observe respecting the letter, under which an account must be inserted, in the Index?

DIRECTION TO THE LEARNER.

Having learned well the above instructions, and answered the questions, you may now proceed to open in the following blank Leger the ten primary accounts in this treatise (405), according to the directions (443, 445) which you will find to correspond with the printed index (446)

When you shall have opened the ten accounts, as above directed, proceed in your lesson with the following directions for posting.

SECTION II.

Posting.

410. This is merely collecting the items of each account, which are scattered through the Journal, and placing them together in the Leger, under their respective heads, that those of each account may be exhibited at one view (26).

411. Having opened the primary accounts (403) and inserted their titles in the Alphabet (408), (be careful not to omit the latter, 409), you may now begin to post by the following directions, opening personal, and all other suc-

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ceeding accounts found in the Journal, in the order in which they there occur (403).

412. Post the Journal by portions of one day's transactions. Let the Dr. or Drs. of each entry be first done, and then the Cr. or Crs.

413. When you shall be ready to begin to post (suppose, for the sake of perspicuity, the first entry of the inventory (284), the first item of which is Cash) look in the index of the Leger, and see on what Leger folio the first Dr. item (Cash) is opened, and write the number of that folio (2) at the left of the item (Cash) in the Journal. Then turn to the account of that item (Cash) in the Leger, and there begin to post it by writing the date, to be taken from the original entry, in the left hand or date columns of the Leger. [*See sections of accounts below.*] Then, in the title column, write "To" (89) and add the title or account, which is the corresponding or opposite creditor, (in this instance it is "Stock"). But if there be more creditors than one, write "To Sundries" (88). Then insert in the narrow column, next before the money columns, the Journal folio from which the item was taken (26), (in this instance 1,) and, lastly, the sum for which said item is Dr. Then make a dot under the folio figure which you inserted in the Journal, to show that the item is posted, and then proceed to the next item (Merchandise) and post it in the same manner.

414. When all the Dr. items of this entry shall be posted, turn to the opposite creditor (Stock) and proceed on the Cr. side of this account in the Leger, in the manner above directed, till you arrive at the title column, where, instead of "To," you must write "By" (90), adding, as above directed, the opposite or corresponding Dr. title, or if more than one (as below) "Sundries," and then proceed as before to the end of the line.

415. The following sections of the first Journal entry (284 K.), and of Cash and Stock accounts in the Leger, exhibit a specimen of posting as above directed

Journal Expression of Original Entry 284. *Date—January* 1, 1836 (23).

Fo. 1.

Leger F.				Leger F.			
2	Cash	25,000	00				
·	*Merchandise*	11,000	00				
(Not here posted)	*Real Estate (in Chesnut street)*	20,000	00	1	Stock	66,800	00
	Bills Receivable	7,800	00				
	Allen Robinett	2,500	00				
	Hicks W. Kelly	500	00				

LEGER.

Showing the manner of Posting two of the above Items, viz. "Cash" and "Stock."

Folio 2.] Dr. CASH (406). Cr.

Date	Col.	Title Column.	J. F.						
1836.									
January	1	To Stock	1	25,000	00				
„	3	„ Merchandise	„	600	00				

Folio 1.] STOCK (407).

						Date	Col.	Title Column.	J. F.		
						1836.					
						January	1	By Sundries	1	66,800	00

416. In a succeeding post on any account, when any part of it, except the sum in the money columns, is to be exactly like the corresponding part of the post next above it, these marks („) may be used instead of a repetition of the words or figures. [*See exemplification in the second post to Cash acct. above.*]

417. The arithmetical rule to set "units under units, tens under tens, &c." must in all parts of Book-keeping be constantly remembered, and punctiliously adhered to, wherever figures are to be added. A trifling inadvertency in this particular, in either the Leger or any of the proof papers may, and assuredly *will*, cause you much vexation and labour.

Closures.

418. On every occasion when an account, particulary a personal one, shall admit of being closed, i. e. when the Dr. and Cr. sides balance by being equal in amount, that account ought to be closed before any more items be posted to it.

419. The closure is thus made: Draw with a pen horizontal lines, directly opposite to each other, across the money columns of both sides of the account, close below the lowest post on either side; then add up the money columns, setting the amount below said line on each side; then draw a double line close below said amount on each side, and exactly opposite to this line, at the left of it, draw a single line commencing at the right of the date column and extending one-third of the distance to the Journal-folio-column. If the space between this last line and the lowest post above it be considerable, a diagonal line ought to be drawn from the end of it to the intersection of the last post line and the Journal-folio-column.

Note.—The method of closing an account, that thus balances with horizontal lines, is exemplified in the closure of Cash account for January. [*See Cash-Book (546) Key.*] The use of the diagonal line, when necessary, is likewise exemplified in the closure of the same account for February (547).

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420. If, subsequent to such a closure, more items for the same account occur, they may be posted below it.

Note.—This will happen repeatedly in Stephen Jones's account in the Leger, likewise in "*Merchandise Co. A.*"

Transfer of Accounts.

421. When the space allotted to any account in the Leger (406) shall become full (444), open that account in a new place, at the same time altering the Alphabetical Index to correspond, (408) and transfer the amounts of its sides respectively to the new folio, thus: Strike lines opposite to each other across the money columns, as if you intended to close the account (419). Then add up the Dr. and Cr. money columns, setting the amounts below said lines, and write before the amounts respectively, "*Amt. transferred to folio* —": and on the first line under the title in the *new* folio, write on each side, "*Amt. brought from folio* —," inserting said amounts in the money columns. After this proceed to post as usual.

Questions.

What is meant by *Posting?*

When you have opened the primary accounts, and inserted their titles in the Alphabet, what are you next to do?

What particular directions are given respecting the portions by which the Journal ought to be posted, and the order of items in those portions?

When you are quite ready to begin to post, what is the first thing you have to do, and how do you proceed through your post?

What difference in posting is to be observed between Dr. and Cr. items?

Under what circumstances may two little perpendicular marks be used instead of a word or number?

What arithmetical rule is to be observed in writing figures in all parts of Book-keeping?

Is the observance of this rule important to a Book-keeper, and what will be the effect of neglecting it?

What is said respecting closing accounts in the course of posting?

How is a closure to be made?

If, when an account have been thus closed, more items for it occur, where will you post them?

Describe the method of transferring an account from one folio to another, when the space allotted to it shall have become full.

DIRECTION TO THE LEARNER.

Having learned to answer the above questions, you may proceed to post the Journal for January. Work cautiously, and be careful to observe all the directions hitherto laid down in this lesson.

Having finished the posting you may proceed in the lesson to the following directions.

SECTION III.

Examination of the Leger

422. At stated periods, say in your practice in *this treatise*, at the end of each month (though in *real* business it ought to be done much oftener) the Leger must be carefully compared with the Journal, for the purpose of being corrected if it contain errors.

423. To do this let one person hold the Journal, and read in it every date, word, and expression in figures, on both the Dr. and Cr. side of it, and let another person, at the same time, carefully inspect the same items in the Leger, and, with a lead pencil, on the double red line of the money column, dot every item, as soon as he shall have ascertained that it is, *in every respect*, correctly posted. To avoid, as far as possible, all chances of error in the examination, I would recommend that all the Drs. be first examined, and then all the Crs.

424. If errors be discovered, in the Leger only, and which did not originate in the Journal, (164) they must be corrected according to the following directions for the

Correction of Errors.

425. *When a Journal item shall have been omitted in the Leger—*

Post it on the first vacant line with its proper date and folio, inserting in the post the word *omitted*, to account for a consequent derangement of dates.

426. *When an item shall have been twice posted—*

Balance one of the posts thus: post on the opposite side of the account, on the first vacant line, "*To*," or "*By Error, opposite side*," adding the erroneous sum, and prefixing to it on the double red line of the money columns a little star, and likewise another star to the sum of the post on the other side thus corrected. These stars show which items are intended to balance each other. One of the posts being thus cancelled, the other stands right.

427. *When a wrong sum shall have been posted—*

Alter it if you can without defacing the Leger, but if not, balance it by 426, and make an omission post of the proper sum by 425.

428. *When an item shall have been posted to the wrong side of its account—*

Balance it by 426, and then post it rightly.

429. *Note.*—This done, although each side of the account will, when footed or added up, amount to more than it would if these cancelled posts had not been made, yet the *balance* or *difference* of the sides will be just the same that it would have been if they had both been omitted.

430. *When an item shall have been posted to a wrong account—*

Correct the wrong post by 426, and then post the item rightly.

431. *When you have, in posting, merely written a wrong title, in the title column,* you may either alter it to the right one, or draw a pen-mark under it to denote that it is wrong, and let it stand. It cannot affect either the state of any account, or the balance of the Leger.

432. The above directions will probably serve as a guide to the young Book-keeper, in all cases of error that shall occur (163). It must be a maxim with him *never* to erase or scratch in the Leger.

433. If, in posting, errors of the Journal be discovered, they must be corrected according to the directions therefor contained in the Journal, from 157 to 164 inclusive.

Questions.

How are you to ascertain whether your Leger have been correctly made from the Journal?

How often ought this examination and comparison to be made, and for what purpose?

Describe the proper method of comparing the Leger with the Journal.

What precaution is recommended to prevent chances of error in this examination?

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If errors of the Leger *only* (and not of the Journal) be discovered, what is to be done with them?

How are you directed to correct—

When a Journal item shall have been omitted in posting?

When an item shall have been twice posted?

When a wrong sum shall have been posted?

When an item shall have been posted to the wrong side of its account?

When an account contain cancelled posts, will the amounts of its sides be different from what they would have been if no error had been made in posting?

Will the balance of it, or difference of its sides, be affected by the cancelled posts?

How will you correct when an item shall have been posted to a wrong account?

How will you treat an error in posting, which consists in merely using a wrong title in the title column?

What is observed concerning these directions for the correction of errors, and what concerning erasing or scratching in the Leger?

What must be done, if, in examining the Leger, errors be discovered which originated in the Journal?

DIRECTION TO THE LEARNER.

Having well studied the above directions, answered the questions, and applied the rules therein contained to *your* Leger, you may proceed in your lesson.

SECTION IV.

Proof of the Leger.

434. Having examined your Leger by comparing it with the Journal, and corrected all errors that you found in it by that examination, you are ready to conclude that it is perfectly right and needs no further proof. Be not too sanguine—the correctness of every thing in the Leger, must be tested by actual demonstration.

435. There may exist in a Leger numerous errors, which would not prevent its closing, and which, consequently, the proof-sheet cannot bring to view. To detect *these* is the object of the examination and comparison with the Journal above directed; and those errors that would be most likely to be overlooked in the examination, will certainly be brought to light by the monthly proof. Both the examination, and the following directed proof, are therefore indispensable tests of the correctness of your work.

436. As often, therefore, I would recommend, as at the end of every month, a proof of the Leger must be made, to detect any errors in it that shall have escaped notice in the examination (422). This ought not to be deferred, which is usual, till the general balance of the Leger (31), for the task of searching through six or twelve months' posting for errors (they will occur) is too appalling: it is easier to do it monthly.

437. As the amounts of the Dr. and Cr. sides of every *entry* must be always equal (24), it is evident that the amounts of the Dr. and Cr. sides of any *number of entries* must be likewise equal. This axiom is applicable therefore to the postings of a month, of six months, or of a year, that is, to the whole Leger.

438. The monthly proof above-mentioned, consists in collecting into a condensed form all the Dr. items that have been posted in any one month, and likewise all the Cr. items for the same time, and ascertaining the *total amount* of each, which totals, if your accounts have been rightly posted with regard to amount, will be equal. It is thus made:

439. Rule a sheet of paper to be called "*monthly proof-sheet*," horizontally with a lead pencil, and also perpendicularly with ink, into money columns, leaving a space at the left side for titles. [*See form of this sheet in the Key*, 526]. Write the first title, "Stock," on the first horizontal line in the left hand, or title space.

440. In the Leger, draw a lead pencil mark close below the month's postings and add up the money columns* of both sides of the account, setting the amount of the Dr. side in the first money column of the proof-sheet, and that of the Cr. side in the second column, opposite the title which you have written at the left (439). Do the same with every account *open* in the Leger, omitting all that are closed.

* Although this direction is inapplicable to Stock account, because it has but one post on each side, yet it is a general direction and generally applicable.

441. When you have thus obtained the amounts of all of them, add up the columns of your proof-sheet, which, according to the principle laid down in 437, ought to balance each other; but if they shall *not* so balance, you must seek and find out the error, and correct it by the most apposite method (425 to 433 incl.).

442. Proceed in like manner with the postings of each succeeding month, (allowing your lead-pencil marks (440) to remain from month to month,) setting the Dr. and Cr amounts in the next succeeding columns of the proof-sheet, and adding at the bottom new accounts which shall be opened in the Leger (411).

Questions.

What is said of the necessity of proving the Leger?

What is said of the existence in a Leger of errors which would not prevent its closing?

How can such errors be detected?

But it is possible that errors of the Leger will escape notice in the examination. How are *such* to be discovered?

How many and what indispensable tests are there of the correctness of the Leger?

How often ought the proof of the Leger to be made, and for what purpose is that proof?

Why ought this proof to be made before the general balance of the Leger?

What axiom is laid down respecting the balance of the sides of the Leger?

In what consists the monthly proof of the Leger?

Describe the method of making the proof-sheet.

Describe the method of collecting from the Leger the Dr. and Cr. amounts of the month's postings.

How do you then obtain the result of your labours, viz. the desired proof of the Leger?

How do you proceed with the postings of succeeding months?

DIRECTION TO THE LEARNER.

Having become familiar with the foregoing section, proceed to make, according thereto, a monthly proof-sheet, consulting, with the leave of your teacher, the Key (526) for the form of ruling it, and then make the directed proof of your Leger for the month just posted. Having finished it, compare it, according to 279, with the printed one (526), observing 525½, K. Thus you will have finished Lessons 4 and 6.

You may now turn back to the Journal and study Lesson 7 (165).

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Directions respecting Space, &c.

443. The following is a direction to you respecting the space which you must allot to each account in this Leger. It must be consulted previous to opening each account (406), else you may find your Leger too small to contain all the accounts.

444. There is probably but one account which will need to be transferred to a new folio, and that is *Cash*. If it shall not happen to fall upon the head of the 20th page, (as directed below) it may be opened wherever it *shall* be necessary, care being used to allot it *full two-thirds* of a page, and to alter the Alphabet, i. e. insert the new folio (421).

445. On page 1 open { Stock account, / Merchandise, } *Primary Accounts* (403). . . . . assigning it one-third of the page.

			Merchandise,	do.	two-thirds	do.
do.	2	„	Cash,	do.	all	do.
do.	3	„	Bills Receivable,	do.	all	do
do.	4	„	Bills Payable,	do.	all	do.
do.	5	„	Profit and loss,	do.	all	do.
do.	6	„	Commission, / Interest,	do.	one-half	do.
				do.	one-half	do.
do.	7	„	Expense, / Insurance	do.	one-half	do.
				do.	one-half	do
do.	8	„	Real Estate (403), / Allen Robinett,	do.	one-half	do.
				do.	one-half	do.
do.	9	„	Hicks W. Kelly,	do.	one-third	do.
			John Smith, *Liverpool*,	do.	two-thirds	do.
do.	10	„	Stephen Girard,	do.	one-half	do.
			Stephen Jones,	do.	one-half	do.
do.	11	„	Ship Minerva,	do.	one-half	do.
			Shipment to London,	do.	one-half	do.
do.	12	„	Shipment to Cork,	do.	one-half	do.
			Isaac Howell,	do.	one-half	do.
do.	13	„	United States Bank Stock,	do.	one-half	do
			Shipment to Liverpool,	do.	one-half	do.
do.	14	„	Smith's Consignment,	do.	one-half	do
			Merchandise Co. A.	do.	one-half	do.
do.	15	„	Samuel Archer,	do.	one-half	do.
			Charles Bishop, *London*,	do.	one-half	do.
do.	16	„	Balance,	do.	all	do.
do.	17	„	James Delacroix,	do.	one-half	do.
			Shipment to Liverpool, Co. B.	do.	one-half	do.
do.	18	„	Shipment from Liverpool to Havana, Co. B.	do.	one-half	do.
			Adventure Co. C.	do.	one-half	do.
do.	19	„	Shipment to Havana, Co. A.	do.	one-half	do.
			Merchandise Co. B.	do.	one-half	do.
do.	20	„	Cash (*transferred*),	do.	two-thirds	do.
			Moveables,	do.	one-third	do.
do.	21	„	Shipment to Charleston, Co. A.	do.	one-half	do.
			Henry B. Gibson, *New-York*,	do.	one-half	do.
do.	22	„	William Morgan, *Cork*,	do.	one-half	do.
			Shipment from London to Cork, Co. B.	do.	one-half	do.
do.	23	„	John Loud, *Charleston*,	do.	one-half	do.

There will then remain one-half of page 23 and all of 24 for Contingencies, to which, if it shall be necessary, other accounts may be transferred (444)

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LEGER A.

446. ALPHABETICAL INDEX (30).

A.

PAGE

Archer Samuel, ... 15
Adventure Co. C. 18

B.

Bills Receivable, ... 3
Bills Payable, ... 4
Bishop Charles, *London*, ... 15
Balance, ... 16

C.

Cash, ... 2
Commission, ... 6

D.

Delacroix James, *Havana*, ... 17

E.

Expense, ... 7

F.

G.

Girard Stephen, ... 10
Gibson Henry B., *New-York*, ... 21

H.

Howell Isaac, ... 12

I.

Interest, ... 6
Insurance, ... 7

J.

Jones Stephen, ... 10

K.

Kelly Hicks W. 9

L.

Loud John, *Charleston*, ... 23

M.

PAGE

Merchandise, ... 1
Merchandise Co. A. 14
Merchandise Co. B. 19
Moveables, ... 20
Morgan William, *Cork*, ... 22

N.

O.

P.

Profit and Loss, ... 5

Q.

R.

Real Estate, ... 8
Robinett Allen, ... 8

S.

Stock, ... 1
Smith John, *Liverpool*, ... 9
Ship Minerva, ... 11
Shipment to London, ... 11
do. to Cork, ... 12
do. to Liverpool, ... 13
Smith's Consignment, ... 14
Shipment to Liverpool Co. B. 17
do. from Liverpool to Havana Co. B. 18
do. to Havana Co. A. 19
do. to Charleston Co. A. 21
do. from London to Cork Co. B. 22

T.

U.

United States Bank Stock, ... 13

V

W.

Y.

Z.

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LESSON XI.

Proof and Closure of the Leger.

SECTION I.

Proof by the Trial Balance.

447. Having finished posting your books to the time at which you intend to close them, by making a general balance of the Leger (31), in order to ascertain your gain or loss by business since the opening of your books, and your present pecuniary condition (5), it will be necessary, notwithstanding the testimony of your monthly proof-sheet, to ascertain, for certainty, whether or not your Leger is in a closeable condition.

448. For this purpose you must make a *Trial Balance* of it, according to the following directions.

449. *Note.*—The Trial Balance is a proof of the *whole* Leger, formed upon the same principle that the monthly proof-sheet is (437), extending further, however, and exhibiting not only the *proof of the Leger*, but the *balance* or *difference of the sides* of each account.

450. Rule a sheet of paper, heading it "*Trial Balance*," with four money columns, viz. two for Dr. and Cr. amounts, to be called *amount columns;* and two for Dr. and Cr. differences of amounts, to be called *difference columns*, leaving a space at the left hand for titles, as you did in your monthly proof-sheet (439). [*See form of this paper in the Key*, 527.] Then add up the *whole* money columns of every account open in the Leger, just as you was directed (440) to add them for one month at a time in making your monthly proofs. Write the amount of each column with a lead-pencil, a little distance below the foot of it in the Leger, and transfer said amount in ink to the proper amount column of the Trial Balance sheet.

451. Indeed proceed just as you did in making each of your monthly proofs (440), except, as above directed, that you add *the whole* of each money column (as far as the account shall be open) instead of *a part* of it, and that you pencil the amount at the bottom of it.

452. When you have done this with all the open accounts in the Leger, add up the columns of your Trial Balance sheet, as you did those of your proof-sheet, and see that their amounts be equal as in that (441).

453. This done, ascertain the difference between the Dr. and Cr. amounts of each account, and set that difference, if the Dr. side be greater than the Cr. in the third or Dr. difference column (450), directly opposite the amounts; but if the Cr. side be greater, set the said difference in the fourth or Cr. difference column. Having done this with every account, add up the difference columns, which must likewise be equal in amount (452).

454. When this paper shall be thus finished, you may rest assured that there is no error in the Leger that will prevent its closing, for it is plain that the whole Leger balances (437).

455. Your next task will be to *take Stock;* that is, make an inventory of all the property now belonging to the concern, and of the debts due to and from it, just as you did at the opening of the books (15, 284).

456. *Note.*—In *real* business, the inventory of your Cash must be made from an actual counting of it, or, if it be deposited in Bank, from your Bank-Book; that of the Bills, Notes, Bonds, &c. due you, from an actual inspection of the original papers; that of your goods in store from an actual enumeration, weighing or measuring of them, computing their value at cost, or at their present worth at market prices; that of your Ships and Real Estates from the proper documents, or from your common knowledge of their number and value; that of your House Furniture, and all other moveable or loose property, from a special or general computation of their value; that of debts due to and by you on Book Account, from the Trial Balance sheet; and that of Bills, Notes, and Bonds which you owe, from the Bills Payable side of the Bill-Book. You must then carefully compare the several numbers, quantities, particulars, and amounts of property and debts contained in the inventory, with the proper auxiliary and Memorandum-Books (32), and other documents, to see that they all correspond with the inventory, with each other, and with their several accounts in the Leger, putting these all in proper order (if they shall be found otherwise) for the new year, or term of the reopened or new books.

457. This important document must now be copied into the Inventory-Book (40), and you then proceed to the closing of the Leger.

458. *Note.*—As in *these fictitious* books, the objects or property of which an inventory is to be made, cannot be presented to the learner, recourse must be had to fiction in this part also. He must procure from his teacher, or (if he teach himself) from the Key, an abstract of the inventory (539) sufficient for his purpose (538). Now every thing in this inventory, whether property or debts, due to or from the concern, will, in closing books, be represented under the title "*Balance*" (71).

Questions.

What is the first thing to be done, after you have finished posting, to the time of making the general balance of the Leger?

What is the Trial Balance?

How will you prepare your paper for the Trial Balance?

What are the two first money columns of this sheet called?

What are the two last called?

When your sheet of paper shall be prepared, how will you proceed, and what will that procedure be like?

When you have set all the Leger amounts in the proper columns of your Trial Balance sheet, what will you do next?

Must these amounts of the amount columns be always equal?

How will you then ascertain the balance of each account, and what will you do with the difference of its sides when found?

How will you prove the difference columns?

What important fact concerning the Leger will then be proved?

The Trial Balance being finished, what is your next task?

From what source, in real business, must be made the inventory of Cash; of Bills Receivable; of Goods in store; of Ships and Real Estate; of House Furniture and other moveables; of Book Debts in your favour and against you, and of Bills Payable?

What comparison must then be made, and for what?

What must now be done with the inventory?

Whence are you to procure an inventory by which to close *your* books?

Under what title are the contents of the inventory to be represented in closing books?

DIRECTION TO THE LEARNER.

Having studied sufficiently the foregoing instructions, and answered the questions, you may proceed to make *your* Trial Balance sheet accordingly.

Having finished it, and compared it (279) with 527 K., procure an abstract of the inventory (458), to be used according to the following instructions, and then proceed to study those instructions.

SECTION II

Closure of the Accounts of the Leger.

459. All accounts are closed with either *Profit and Loss*, or *Balance*, or *both*. These two accounts may

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hence, for the sake of convenience, be denominated *closers*.

460. But, before proceeding further, it will be necessary to take a view of the nature of the different kinds of accounts, in order to understand perfectly the proper method of closing them.

461. REAL ACCOUNTS (46).—Some commodities or kinds of property are received and delivered, i. e. bought and sold for the grand primary object of all trade, namely, GAIN. Of this kind are *Merchandise* (entire or in branches, 48, 54), *Real Estate*, *Ships*, *Shipments and Adventures*, *Merchandise in Co.*, and *Bank and other Stocks*.

462. Other commodities or kinds of property are received and delivered in like manner, for only a circulating medium in trade, and on which there is not expected either gain or loss. Such are *Cash*, *Bills Receivable*, and *Bills Payable*.

463. PERSONAL ACCOUNTS.—These likewise are accounts, *not* of gain or loss, but merely names of debts (60).

464. FICTITIOUS ACCOUNTS.—These, except *Stock* and *Balance*, are accounts of *only* Gain and Loss, or, rather are only the *names* of Gains and Losses (45, 63). The Fictitious Accounts, besides *Stock* and *Balance*, are *Profit and Loss* and its branches, (those used in this treatise are) *Commission*, *Interest*, *Expense*, and *Insurance* (403).

465. The following method or order of closing the accounts of the Leger, will be found as perspicuous perhaps as any that can be adopted. They may be neatly arranged for closure in *four* divisions, viz.

1. Those which are closed with Profit and Loss *only;*
2. Those which are closed with Balance *only;*
3. Those which are closed with *both* Profit and Loss and Balance; and
4. Deferred Accounts.*

466. * It may be here observed that there are *three* accounts, the closing of which depends on the amount of others, and must therefore be deferred till those others be ready to be used for this purpose. These will therefore be called *Deferred Accounts*, viz.

1. *Profit and Loss*, being used to close others with, cannot itself be closed till all those which are closed with it shall be finished:
2. *Balance*, is in a similar condition; and
3. *Stock*, which is always the *first* account opened in a Leger, is always the *last* closed, because it has to receive a post from each of the above-mentioned (Profit and Loss and Balance), after *they* are otherwise complete.

Profit and Loss Sheet.

467. Rule a half sheet of paper like a Leger page, and head it with the title "PROFIT AND LOSS," and call it the Profit and Loss sheet.

468. Take from the Profit and Loss account in the Leger, the amount there posted on each side of it, which is pencilled at the foot of each of its money columns (450), and place it in the corresponding column of your Profit and Loss sheet, writing before it, in the title column, the words, "*Already Posted.*" [*See form of this paper*, 528, *K.*]

469. Proceed then to close the accounts of the

First Division (465),

Comprising those which are from their nature incapable of having a balance remaining on hand, or due on them, but which exhibit only gains and losses by trade (464), and which are consequently closed with "*Profit and Loss only*" (465).

Note.—Mark each account on the Margin of the Trial Balance sheet when you enter it on the closer.

470. Examine the Trial Balance sheet downward till you find—

COMMISSION.*—The Dr. side is blank; for you never keep account of the Commissions you allow your Agents or Factors (166).

The Cr. side shows your *gain* as Agent or Factor for others (67).

Close it† by debiting it "*To Profit and Loss*" for the gain (80).

Therefore, enter on the Cr. side of *your* Profit and Loss sheet, "*By Commission* ——."

* The learner ought to examine in the Leger this and each other account, when he reads its subsequent description and the directions for closing it, but take the sums in figures from the difference columns of the Trial Balance sheet.

471. † Although you are here and elsewhere directed to "*close*" accounts, this direction is not to be fully followed. You must not, in fact, close *any* account in the Leger, till the Profit and Loss sheet, and Balance sheet, which you will soon be directed to make, shall be finished, and closed, in order to ascertain whether or not the Stock account (and therefore the whole Leger) will close, i. e. whether your posting to the closers has been correct with regard to amount.

472. You are aware, no doubt, that every closure, like every other entry, requires *two* Leger posts (4); one to the account to be closed, and the other to the *closer* with which it is to be closed (459). Now, instead of actually carrying the closing posts to *both* these, you are to carry them to the *closers* only, on the loose sheets, till all closures be carried thus far: you will *then* find directions for carrying them to their respective accounts in the Leger.

473. Now great care and deliberate consideration will be requisite to enable you to determine on which *closer*, and on which *side* of the closer, to put a closing post. To determine on which *closer sheet* to enter a closing post, read attentively 469 and 473. To determine on which *side* of a closer sheet to enter a closing post, consider attentively whether the account *to be closed* in the Leger wants a debit or a credit If a *debit*, then the post must go to the *Cr.* side of the closer, and *vice versa*. [*See direction in* 470, *above, and in* 476, *below.*]

474. Remember, however, that this rule does not govern the closing of the accounts specified in 461, because, to close each of *them*, *two* entries must be made.

475. INTEREST.—The Dr. side shows the sums you have *paid* for interest;

The Cr. side shows the sums you have *received* therefor;

The difference (per Trial Balance sheet) is your nett *gain* or *loss* by interest:

Close the account (if there be a gain) by debiting it "*To Profit and Loss*" for the gain.

And enter on the Cr. side of your Profit and Loss sheet, "*By Interest* ——."

But if there be a loss, close it by crediting it "*By Profit and Loss*," i. e. debiting Profit and Loss "*To Interest*" for the loss.

Therefore enter on the Dr. side of the Profit and Loss sheet, "*To Interest* ——."

476. EXPENSE.—The Dr. side shows the sums you have *paid* for rent, and house and pocket expenses, and sometimes the charges on Merchandise (41).

The Cr. side is generally blank, but always less than the Dr.

Close it "*By Profit and Loss*," i. e. make Profit and Loss Dr. "*To Expense*" for the loss thereby.

Enter on the Dr. side of Profit and Loss sheet "*To Expense* ——."

477. INSURANCE.—The Dr. side shows the sums you have *paid* in consequence of insuring for others;

The Cr. the amount of premium you have *received* therefor;

The difference (per Trial Balance sheet) is your nett *gain* or *loss:*

Close the account by debiting it "*To*," or crediting it "*By Profit and Loss*" for that difference.

Note.—The above direction for closing *Insurance*, applies to an *individual* concern, and not to a *Company*. In a Co. concern it would be closed, *To* or *By Stockholder's accounts*, for their respective shares of the gain or loss.

Note.—The above described are the only accounts which are *always* closed with Profit and Loss *only*, they are marked *a*, in 527, K

Questions.

With what are all accounts closed? What may these therefore be called?

Explain the natural difference between the different kinds of accounts, designating those of each kind.

What is said of Real accounts?

What is said of personal accounts?

What of Fictitious accounts?

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In what divisions may accounts be arranged for closure?

Why is the closing of three certain accounts to be deferred till all others shall be closed?

What is the first deferred account, and why is its closure deferred?

What is the second, and why deferred?

What is the other, and why is its closure deferred?

How will you prepare your Profit and Loss sheet?

What is to be first inserted on this sheet?

What description of accounts is to be first closed, and which closer must be used in closing them?

COMMISSION.—Describe the Dr. side of this account.

What does the Cr. side show?

How will you close it?

Are you in fact to really close Commission and other accounts at this stage of your business?

How many Leger posts are requisite to close an account, and to what are they to be respectively made?

Which of them is to be now made, and which for the present omitted?

How will you determine on which closer sheet to place a closing post?

How will you determine on which *side* of a closer to enter a closing post?

To what accounts is this rule inapplicable, and why?

INTEREST.—What does the Dr. side show?

What does the Cr. side show?

What is the difference of the sides?

How will you close it if there be a gain, and how if there be a loss?

EXPENSE.—What does the Dr. side show?

What the Cr.?

How will you close it?

INSURANCE.—What does the Dr. side of it show?

What does the Cr. side show?

What is the difference of the sides?

How will you close it, if an individual concern?

How, if a Co. concern?

DIRECTION TO THE LEARNER.

Having duly answered the above questions, you may proceed to prepare *your* Profit and Loss sheet, insert in it from the Leger, the amounts "already posted" (468), and then transcribe from the Trial Balance sheet, according to the above directions, the differences of the accounts above described, which are, you observe, the branches of Profit and Loss account (464).

Having done this, proceed in your lesson to the following directions.

SECTION III.

Second Division,

478. Comprising those accounts on which, from the nature of the things which they represent, there can be neither gain or loss, and which, consequently, are to be closed with *Balance only* (465, 462, 463), i. e. by adding to the *less* side of the account, the amount or *balance* expressed in the *difference columns* of the Trial Balance sheet, for the sole purpose of closing the account (63).

Balance Sheet.

479. Rule another sheet of paper, precisely like the Profit and Loss sheet (467), head it "BALANCE," and call it the Balance sheet. Begin at the head of the Trial Balance, and look carefully downward till you come to

480. CASH.—The Dr. side shows the amounts that have been *received.*

The Cr. the sums *paid* away, or otherwise delivered or parted with.

The difference between them doubtless ought to, and *must*, be the sum in hand or in Bank, corresponding with the inventory (455). Therefore,

Close the account by crediting it "*By Balance,*" i. e by making Balance Dr. "*To Cash*" (thus giving Cash the desired credit), for the sum in the difference columns of the Trial Balance sheet.

Enter on the Dr. side of Balance sheet, "*To Cash*——."

481. BILLS RECEIVABLE.—The nature of this account is similar to that of Cash account.

The Dr. side shows the amount of Bills, Notes, and other obligations in your *favour*, which have been *received.*

The Cr. the amount of ditto, *passed away*, or otherwise cancelled.

The difference will of course be the amount in hands, per inventory. Therefore,

Close the account by crediting it "*By Balance,*" as you did Cash (480).

482. BILLS PAYABLE.—The Cr. side shows the amount of your own Notes, and other obligations *to pay*, which have been *passed away.*

The Dr. shows the amount of them *redeemed* or taken up.

The difference is the amount which you still owe in Bills, &c. according to the inventory (455).

Close the account by debiting it "*To Balance,*" for the difference of its sides per Trial Balance sheet.

Enter on the Cr. side of Balance sheet, "*By Bills Payable*——."

483. ALLEN ROBINETT, *and every other Personal account.*—The Dr. side shows what *he owes you* on account.

The Cr. what *you owe him* on account.

The difference is the balance of debt due one way or the other, corresponding with the inventory and Trial Balance sheet.

Close the account by debiting it "*To,*" or crediting it "*By Balance,*" for the difference of its sides per Trial Balance sheet, i. e. the amount of the debt (71).

Note.—The above described are the only accounts that are *always* closed with Balance *only.* They are marked b, in 527, K.

Questions.

Having closed the branches of Profit and Loss, what division and description of accounts are you next to attend to?

How do you prepare your Balance sheet?

CASH.—What does the Dr. side of Cash show?

What does the Cr. show?

What will the difference of its sides be?

How will you close it?

BILLS RECEIVABLE.—What other account is in its nature like Cash?

What does the Dr. side of Bills Receivable show?

What does the Cr. show?

What will the difference of its sides be?

How is the account to be closed?

BILLS PAYABLE.—What does the Cr. side show?

What the Dr.?

What will be the difference of its sides?

How will you close the account?

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A PERSONAL ACCOUNT.—What does the Dr. side of a Personal account show?

What does the Cr. side show?

What the difference of the sides?

How will you close it?

DIRECTION TO THE LEARNER.

Having properly prepared yourself by answering the above questions, you may now rule *your* Balance sheet and transcribe thereto, from the difference columns of the Trial Balance (453), the differences of the above described accounts, including all the personals in the Leger.

When this shall be finished, according to directions, proceed in your Lesson.

SECTION IV.

Third Division,

484. Comprising those which are closed with *both* Balance and Profit and Loss, marked *c*, in 527, K. [*These are the accounts described in* 461, *this Book.*]

485. The account of property of every kind, when it is purchased or *received* as yours, is debited for its cost or value (72), and credited for what it brings (73), when it is *delivered* or parted with. If, at the time of closing the account of it, *all* of it be sold, the difference of the sides will be the amount of gain or loss by the sales. But if *part of it* only be sold, or otherwise disposed of, its account will have been credited for only *that part.* It is therefore necessary, in order to ascertain the gain or loss on the part sold, to credit the account for the remaining or *unsold* balance (71); a full statement of which will always be found in the inventory (455). The difference of the sides, after this shall be done, will be the gain or loss on the part sold. Now cast your eye down the Trial Balance till you come to

486. MERCHANDISE.—The Dr. side shows the *cost* or value of the goods on hand, at the time of opening the Books, and the *cost* of all purchases made since, and the *charges* attending them.

The Cr. side shows the amount of the *sales* made, or of the avails of goods otherwise disposed of.

If, at the time of closing Books, *all* be disposed of, then the difference of the sides will be the nett *gain* or *loss* by the sales; therefore close the account by debiting it "*To*," or crediting it "*By Profit and Loss*," for that difference per Trial Balance sheet.

If *none* be sold, there can be no gain or loss by sales, nor any posts to the Cr. side of the account; therefore close the account "*By Balance*" for the goods remaining per inventory (455).

Note.—If, at the time of making the inventory, the goods happen, by a change in the market price subsequent to the purchasing of them, to be worth more or less than the amount of the *cost* or Dr. side of the account, that difference is of course a *gain* or *loss* on them, and must be carried to *Profit and Loss* to close the account.

487. If part be *sold* and part *remaining* (which is generally the case), credit Merchandise "*By Balance*," i. e. make Balance Dr. "*To Merchandise*" for the amount unsold, per inventory: then, after adding this sum to the Cr. side of *Merchandise*, ascertain the *new* difference of the sides, which is the gain or loss on the part sold: therefore,

Close the account "*To*" or "*By Profit and Loss*" for the amount of this new difference.

488. *Note.*—In the first set of Books in this treatise there is, in the difference columns of the Trial Balance sheet, a debtor difference of $8170.00, but in your inventory (539, K.) you will find a remainder of Merchandise amounting to $9876.54, for which, credit Merchandise "*By Balance*," i. e. make Balance Dr. "*To Merchandise* $9876.54." Then find your *new* or *real* difference, which will now indicate a *gain* or *profit* of $1706.54: therefore make Merchandise Dr. "*To Profit and Loss*" (80) for this sum, which will close *Merchandise* account

489. REAL ESTATE.—The Dr. side shows the *cost* and *charges* thereon.

The Cr. the *income* from it by rents, produce, or otherwise, and if the property is sold, the *avails* thereof by the sale.

The difference, if sold, will be the *gain* or *loss* on this account, and it must be closed with *Profit and Loss only* (like Insurance account, 477). But,

If *not* sold, credit the account "*By Balance*," per inventory, and ascertain the *new* difference (as directed in 487), which will be the gain or loss: then

Close the account "*To*" or "*By Profit and Loss*" for said new difference.

490. SHIP MINERVA (or any other Ship).—The Dr. side shows the *cost* and the *charges* on her.

The Cr. the *income* by her for freight, and, if sold, the amount of her selling *price.*

Close this account as you was directed to close that of Real Estate (489), under similar circumstances.

491. MOVEABLES (57).—The Dr. side shows the amount which the articles kept under this title *cost.*

The Cr. *nothing*, unless you have sold something belonging to this account, then it shows the amount of *sales* made.

Credit it "*By Balance*" for present worth of the articles, per inventory, and then

Close it "*To*" or "*By Profit and Loss*" for amount of new difference of its sides, which will usually be a small loss by depreciation of value from wear.

492. BANK AND OTHER PUBLIC STOCKS.—The Dr. side shows the *cost.*

The Cr. the *produce* by dividends, or sale, or both.

Close the account according to the directions for closing *Real Estate* (489).

493. SHIPMENTS AND ADVENTURES.—These accounts are similar in their nature to that of Merchandise (486).

The Dr. side shows the amount of the *investment* and the *charges* on it.

The Cr. (if the account sales is received), the amount of *nett proceeds* (167).

The difference is of course the *gain* or *loss* by the sales: therefore,

Close the account "*To*" or "*By Profit and Loss*" for the gain or loss.

If the account sales have not been received, close the account "*By Balance*" for the amount of the Dr. side, or *cost and charges.*

If the account sales of *part* have been received, and the account of course credited therefor, credit it "*By Balance*" for the part remaining, per inventory, and ascertain the *new* difference of the sides, which will be the *gain* or *loss* on the part sold: then

Close the account "*To*" or "*By Profit and Loss*" for said gain or loss.

494. MERCHANDISE IN CO.—The Dr. side shows the cost of *your share only* of the goods, and *all* the charges since they have been in your possession (234).

The Cr. shows the *total sales*, or rather the sales of both or *all* the shares (234), so far as they have been made.

If *none* be sold, credit the account "*By Balance*" for the amount of the Dr. side per inventory.

If *all* be sold, close the account as directed in 235, and exemplified in 236. [*See also in Original Entry* (332), *and explained in* 332 *Key.*]

495. *Note.*—As soon always as the sales of "Merchandise in Co." are completed the account is closed by an original entry (235). This account is therefore seldom left open in this condition till the general closure of the Books.

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496. If *part* be sold, at the time of the general closure, and it be not absolutely necessary to ascertain profit or loss on the sales till they be completed, close the account with a *double balance*, i. e. debit it "*To Balance*" for the amount of the *Cr.* side, and credit it "*By Balance*" for the amount of the *Dr.* side, which merely *closes* the account without altering the state of it otherwise, for it will be reopened in precisely the same state with regard to the relative amount of its sides, that it was in previous to the closure.

497. But if circumstances render it necessary to ascertain the profit or loss on the part sold, ascertain first the line of division between that part and the remaining or unsold balance, and likewise the corresponding line in the amount of *first cost* of each share. Then calculate commission on the amount of sales, and enter likewise by an original entry all other charges incurred on the goods, and not already charged, adding them to the Dr. side in the same manner (though not amount) that you would if all were sold. Then calculate partner's share of nett proceeds, and your own of gain or loss on the part sold, in the manner usual where all is sold, and add them as usual to the Dr. side (332). Then credit the account "*By Balance*" for the amount of *your share* of the remaining part, which will close the account.

498. EXAMPLE.

A. (*myself*) and B. had in my hands, in copartnership, 1000 barrels of flour, at $10 per barrel, $10,000; of which my half cost was $5000, for which *Merchandise Co. X.* is debited, and also for charges thereon $100. Total Dr. side $5100.

I have sold of said flour 600 barrels, at $12—amount $7200.

In this state of the account it becomes necessary to close it, and to ascertain Profit and Loss on the *amount sold.*

600 barrels cost	$6000,	of which my half is	$3000
400 do. remaining	$4000,	of which my half is	$2000
Proof, 1000 barrels cost	$10,000,	of which my share is	$5000

And of course B.'s share is divisible in the same manner.

My commission on $7200 (amount sales), at 5 per cent. is $360.

B.'s share of nett proceeds of 600 barrels flour, viz.

Whole cost	$6000
Charges including commission .	$460
	$6460

$6460 from $7200, leaves $740 whole gain.

Now B.'s half of prime cost ($6000) is	$3000
do. gain . . ($740) is	370
do. nett proceeds is therefore	$3370
My half of gain is	370

My half cost of the remaining 400 barrels, is as expressed above, $2000, for which the account must be credited "*By Balance.*"

499. LEGER STATEMENT.

Note.—The letters of the alphabet denote the order of the entries.

Merchandise Co. X.

"	a	To Cash (*half cost*)	"	$5000	00	"	c	By Cash (*sales*)	"	$7200	00
"	b	" do. (*charges*)	"	100	00	"	g	" Balance (*my half cost of* 400 *barrels remaining*)	"	2000	00
"	d	" Commission	"	360	00						
"	e	" B. (*his half nett proceeds*) .	"	3370	00						
"	f	" Profit and Loss (*my half gain*)	"	370	00						
				$9200	00					$9200	00

500. CONSIGNMENTS.—The Dr. side shows the amount of *expenses* which you have incurred on the account.

The Cr. the amount of *sales* made.

If *none* be sold, credit the account "*By Balance*" for the amount of the Dr. side.

If *all* be sold, close as directed in 174, 175.

Note.—This account, like *Merchandise in Co.* is always closed (by an original entry) as soon as the sales are completed (495, 174).

If *part* be sold, and you wish merely to close the account without rendering an account sales to the consigner, close with a double balance, as directed in one of the cases in closing *Merchandise in Co.* (496).

But if you wish to credit your employer for the part sold, and to render him an account sales, close for the *part sold,* just in the manner (though for a different amount) in which you would for the *whole* if *all* was sold, including in your closure *all* the charges of the Dr. side, and commission for the *part sold.*

Note.—What is left of the goods is not mentioned at all in the closure, and remains on consignment as before.

Questions.

What is the description of the third division of accounts?

What entry is always made to the account of property, when it is received *as yours,* and what, when you part with it?

What will be the difference of the sides of a Real Account, if all the property be sold when you close books?

If part of it only be sold, what shall be done with the account with regard to the residue or unsold balance?

Where can you obtain a statement of this balance?

What will be the difference of the sides when this entry shall be made?

MERCHANDISE.—What does the Dr. side show?

What does the Cr. side show?

What will be the difference of the sides, if all be disposed of?

How will you then close the account?

What will be the difference if none be disposed of?

How will you then close the account?

If, at the time of taking Stock, your Merchandise should be worth more or less than it cost, how would you close for that difference between cost and present value?

If part of the goods be sold, and part unsold, how will you manage the balance remaining, and close the account?

REAL ESTATE.—What does the Dr. side of it show?

What does the Cr. show?

What will be the difference of the sides if it be sold, and how will you close it?

How will you manage the balance and close the account, if the property be *not* sold?

A SHIP ACCOUNT.—What does the Dr. side show?

What does the Cr. side show?

Like what account, under similar circumstances, must it be closed?

MOVEABLES.—What does the Dr. side show?

What does the Cr. show?

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How will you manage the balance remaining and close the account?

BANK AND OTHER PUBLIC STOCKS.—What does the Dr. side show?

What does the Cr. show?

How will you close accounts of this kind?

SHIPMENTS AND ADVENTURES.—To what account are those of Shipments and Adventures similar?

What does the Dr. side of a Shipment or Adventure account show?

What the Cr.?

What is the difference of its sides, if the account sales have been received?

How close it?

How will you close it if the account sales have *not* been received?

How will you proceed if the account sales of a part only have been received?

How will you then close the account?

MERCHANDISE IN CO.—What does the Dr. side show?

What the Cr. side?

How will you close it, if none of the goods be sold?

How, if all be sold?

Is this account ever found unclosed at the general balance?

If part be sold, and you do not care to ascertain the gain or loss on the sales, how will you then close it?

But if it shall be necessary to ascertain Profit and Loss on the part sold, how will you proceed to the closure?

CONSIGNMENTS.—What does the Dr. side show?

What the Cr.?

How will you close the account if no sales have been made?

How, if all have been sold?

Is the account of a Consignment ever found in this state at the closure of books?

If part be sold, and you wish merely to close the account, without ascertaining gain or loss thereon, how will you close?

But if you wish to credit your employer for the part sold, and render an account sales, how will you manage the account?

How is the balance of a consignment used in the closure of the part sold?

DIRECTION TO THE LEARNER.

Having studied sufficiently the above directions, and answered the questions, as usual, you may proceed to place upon *your* closer sheets, the posts requisite to adjust and close the several accounts described.

Having done this, according to the directions, and to the satisfaction of your teacher, your may proceed to study the following.

SECTION V.

Fourth Division,

Comprising the three deferred accounts (marked *d*, in 527, K.).

501. Having now posted to the closers, on the loose sheets, all the entries requisite to close every account open in the Leger, except the three deferred ones (466), you are ready to begin the closure of these.

502. PROFIT AND LOSS.—The Profit and Loss account, now on your Profit and Loss sheet, is, if correct, completed, ready to be closed. With this then you are to begin, by adding up its sides, and finding their difference You perceive that this paper is richly laden with the account of the fruits of your speculations. It contains, on the Dr. side, all the items of direct and of indirect *loss*.

The Cr. contains, in like manner, all those of *gain*, which, it is hoped, may be always the greater in amount, with every honest man.

The difference between them, which you have just been directed to find, is your *nett gain* or *loss* for the time since your books were opened.

Now, you must plainly perceive, that if you have gained, your stock or property is thereby *increased*, and that if you have sustained loss, your substance is *diminished* to the amount of that loss. The closing of this account will express exactly the truth in this respect, for if the *Cr.* or *gain* side of Profit and Loss be the larger, you must close it (do it first with a lead-pencil) by a debit "*To Stock*" for the difference of its sides, which of course increases the Cr. or *property side* of Stock so much. But if the *Dr.* or *loss* side of Profit and Loss be the greater, then close it "*By Stock*," i. e. debit Stock "*To Profit and Loss*," to close the latter, which increases the *debt side* of Stock account, and of course operates as a *diminution* of Stock or property to the same amount.

503. STOCK.—Having closed the Profit and Loss sheet, you have now to make from it a *new post* to Stock account in the Leger. Do this likewise with a lead-pencil for a trial, and then add up the sides of the Stock account, and find the difference between them (with a lead-pencil).

The Dr. side of Stock contains the amount of *debts* which you owed at the commencement of these books, and if your Profit and Loss sheet exhibited a *loss* in business, the *new post* likewise will be found on this side.

The Cr. side shows the gross amount of your *property* or *estate* at the opening of the books, and if your business have yielded a *gain*, the *new post* will appear here to denote the amount of it.

The difference, just now found, is the NETT AMOUNT OF YOUR ESTATE.

Note.—Leave this account for the present unclosed. When the closing posts of Balance shall be transferred to it, its sides will be found equal in amount.

504. BALANCE.—You are now ready to add up the sides of the Balance sheet (with a pencil), and find *their* difference. Having found it, see whether, when posted to the less side of Stock account, it will close it, which it ought to do.

The Dr. side of Balance shows the gross amount of *property* remaining on hand, and of all *debts due you*, agreeing, both in particulars and amount, with the corresponding part of the new inventory.

The Cr. side shows the amount of existing debts, by both Bills Payable, and Book Accounts, corresponding with the *other* part of the new inventory, which *you owe*.

The difference is, of course, your NETT PROPERTY OR ESTATE, or what would be left after paying *all your debts*. This then is precisely the same thing, both in essence and amount, that the difference of the sides of Stock is (503), but these differences are on *opposite sides*, and will therefore *balance each other*.

Close this account (when found correct, i. e. when its difference shall agree with that of Stock) by debiting or crediting it "*To*" or "*By Stock*" for the difference of its sides.

505. But if Balance and Stock will *not close each other*, there must exist an *error*, which must be sought, found,

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and corrected. It must have been made since you finished your Trial Balance, for *that* proved that there was nothing in the way of the closing of all the accounts (454). You must therefore review your closer sheets, and perhaps make them over again for your carelessness.

506. Having so corrected the closers (if necessary) that the difference of the sides of Balance account will exactly close Stock, proceed to close, with ink, accordingly, *both* the closer sheets, which you have already done with the lead-pencil.

Questions.

What is the fourth division of accounts called, and which are they?

Which of them must be first closed, and how will you begin the management of it?

Profit and Loss.—What does the Dr. side show?

What does the Cr. show?

What is the difference of its sides?

If you have *gained* by business, how will you close this account, and what effect will its closure have upon Stock?

If you have *lost* by business, how will you close Profit and Loss, and how will *that* closure affect Stock?

Stock.—Having posted (with a pencil) the closing item of *Profit and Loss* to Stock account, what will you next do with Stock account?

What does the Dr. side of Stock contain?

What does the Cr. side show?

What is the difference of the sides of Stock?

What will be the closing item of this account?

Balance.—What will be your first act towards the closure of Balance account?

What trial are you directed to make with the difference of the sides of Balance account?

What does the Dr. side of Balance account show, and with what does it agree in items and amount?

What does the Cr. side show, and with what does *it* correspond?

What is the difference of its sides, and what else expresses the very same thing in both essence and amount?

Are or are not these two differences on opposite sides, and what is the consequence of this fact?

How will you close Balance account?

What is the necessary conclusion, if Balance and Stock will not close each other, and what must, in that case, be done?

Where must the error exist, and how are you sure of this?

What is then your next business?

Having corrected the closer sheets, what will you do next?

DIRECTION TO THE LEARNER.

Having learned the above directions, and answered the questions, proceed to adjust and close *your* closer sheets accordingly. Then compare them (279) with the printed ones (528, 529), and if found to disagree therewith, you must *make them again* (a salutary exercise for you) from the Trial Balance. Repeat your attempts till you succeed (505). Then proceed in the Lesson.

SECTION VI.

Methods of Closing the Leger.

507. Having finished and closed the closer sheets, you may now proceed to transfer their contents to the respective accounts in the Leger

508. This is done principally by *two methods*, both of which shall be exemplified in this treatise, one in the closure of the *first* set of books, and the other in that of the *second*.

509. The plainer, and therefore better method for a learner, is to state perspicuously the closing items in the book of original entries, and then carry them, as other entries are usually carried, through the Journal, to their respective accounts in the Leger.

510. The other is to enter the closing items or posts in the Leger *only*, without recourse to original entries and journalizing.

Directions for Closing by the first Method (509).

511. Take the Profit and Loss sheet, and from that side which does *not* contain the Stock, or closing item of it (on *your* sheet the Cr.), omitting the first line, "*already posted*," with its sum, make a statement or entry in plain (not technical) language, expressive of facts (analogous to 343, in *your* Book), which will always follow, of course, the last original entry, annexing to each item its proper sum.

512. This done, make in like manner another entry (analogous to 344) from the other side of the Profit and Loss sheet, annexing the proper sums.

513. Now journalize these two entries, debiting and crediting according to the facts expressed by the Profit and Loss sheet, and post them in the usual manner, closing (419), as you proceed, each account that is thereby balanced, but leaving unclosed those to which a balance post is yet to be made.

Note.—After the closing item shall be posted to an account, you must not merely write the footing of it at the bottom, *trusting that the account is balanced*, but must previously add up *again* the money columns to ascertain *certainly* that fact.

514. Now take the Balance sheet, and from that side which does *not* contain the Stock, or closing item of it (on *yours*, the Dr.), make a third statement (analogous to 345, in *your* Book), adding the proper sums.

515. *Note.*—This entry will be an abstract of the inventory of *property* and *debts receivable*, and the following one, of that of *debts payable* (504).

516. Then make, in like manner, the fourth and last entry, or statement, from the *other* side of Balance sheet (analogous to 346, in *your* Book), adding to each item its respective sum, according to the Balance sheet.

517. Now journalize and post *these items*, opening *Balance* account in the Leger, and closing, as you proceed, *every* account which shall remain unclosed—and the closure of the Leger will then be complete.

Direction.—Now clean off with India-rubber all pencil marks, and whatever else defaces your Books.

Questions.

Having closed the closers, what is next to be done?

How is this to be done, and what say you of the methods of doing it?

Describe the first method.

Describe the second method.

What are the directions for making the first original entry for closure?

What are the directions for making the second ditto?

What are you directed to do next?

Is it necessary to add up the columns of your Leger when you close accounts in it?

What is to be done when you have posted the two Profit and Loss entries?

From which side of each closer sheet, are you directed to make the first closure entry of each?

What will the two Balance entries be?

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How are you directed to make the other balance entry which is the last in the Journal?

What have you then to do, and what will be the consequence of doing it?

When your Leger shall be fully closed, what have you then to do?

DIRECTION TO THE LEARNER.

517½. Having studied well the above directions, and answered the questions, you may now act accordingly. But *you* have not to make entirely the entries above directed to be made. They are already partially printed in your Book of Original Entries (343, 4, 5, and 6). But they lack the sums which belong to them. To each item, therefore, you have to add its proper sum, taking it from the proper closer sheet. A little attention to the subject will enable you to fill these blanks correctly. Do it first with a lead-pencil, and when finished, to the satisfaction of your teacher, or to correspond with the Key (343, &c.), write them with ink. You are then to add up and carry the sum total of each entry into the columns of the Book, as other totals are carried.

Then journalize them so that they shall correspond with the closer sheets; i. e. make *Profit and Loss* and *Balance* Dr. and Cr. in the Journal, as they are *on the closers*, and make the other accounts Drs. and Crs. accordingly.

Then post and close as directed in 517.

Having closed all the accounts, and cleaned off your Leger, proceed to the following directions.

SECTION VII.

Directions for Reopening the Leger.

518. When you intend to *transfer* your accounts to a new Leger, you are to follow the same directions for opening your *new* Journal, from the new inventory, and for beginning your *new* Leger, that you did at the commencement of the last set.

519. But when it is intended to *continue* the accounts in the *old* Books, you are to reopen your Leger by merely bringing down from those old closed accounts, which had on their closure the item "*Balance*" (not those which are closed with *Profit and Loss only*) the said balance post to the side of the account opposite to that on which it was used in the closure. Thus, to reopen *Stock*, write on the creditor side, directly below the closing lines, "*By Balance*, $70811.39," and to reopen *Merchandise*, write on the Dr. side, "*To Balance*, $9876.54," taking these sums, each from the opposite side of its respective account. Do likewise with every other account which was closed with a balance item.

520. With respect to Profit and Loss account and its branches, and indeed all accounts not closed with *balance*, there is of course no balance to bring down, with which to reopen them, but they are to be used, when occasion shall require their use, just as they were before the general balance.

521. Rule now a new *monthly proof sheet* (439), and prove the reopening of the Leger, as you would a month's postings (440), omitting in your new proof sheet the following accounts, viz. *Real Estate*, *Stephen Girard*, *Shipment to London*, *Isaac Howell*, *United States Bank Stock*, *Smith's Consignment*, and then your Leger will be ready to receive new postings as before.

Questions.

What is the method of opening *new* Books for the *old* accounts?

What is the method of reopening the accounts in the *old* Leger?

What description of accounts can be reopened, and what cannot?

What is observed concerning Profit and Loss and its branches, with regard to their being reopened?

When you have thus reopened the old accounts, what is next to be done to prove the correctness of your work?

DIRECTION TO THE LEARNER.

Do now with *your* Leger as directed in 519 and 521. Having proved your reopened balances, and compared your proof (279) with 530, K., and thus prepared your Leger for the reception of new postings, turn to 347, Journal, and proceed as there directed to Lesson 12.

CONTINUATION OF LESSON XV.

Directions for Closing the Leger by the Second Method (510).

522. Copy the Profit and Loss sheet, already closed (except the upper line, "*already posted*," and its sum), into the Leger, annexing it to the Profit and Loss account, of which it is, in fact, a continuation; add up its money columns, to be sure that their amounts be equal, and, having found them so, close it with ruled lines.

523. Post hence every closing item, beginning with Interest, to its respective account in the Leger, as by the first method you was directed (513) to post it from the Journal, and close those that shall be thereby balanced, as directed in 513 (419).

524. Having done this, open "BALANCE" account in the Leger, and copy thereinto *all* the items on both sides of the balance sheet, including the closing item, and close it with lines.

525. Then post these items, as directed for those of Profit and Loss (523), to their respective accounts in the Leger, beginning with Cash, and close *every* account with lines as you proceed, the last of which, in a regular procedure, will be *Stock*—and your Leger will be completely closed (518).

Note.—As you are now to post from one part of the Leger to another, and not from the Journal as usual, how will you fill the Journal-folio-column of the Leger? Fill it with the *Leger*-folio of the respective closers, and to distinguish these folios from those of the Journal, do it with *red-ink*. If this be not convenient, let the column be blank.

Questions.

What are you directed to do with the Profit and Loss sheet in closing Books by the second method?

When you have thus copied and closed it in the Leger, what is next to be done with it?

What is to be done with the Balance sheet, and with the Balance account in the Leger when opened?

What will be the last account closed in the Leger?

DIRECTION TO THE LEARNER.

Having studied the above directions understandingly, obey them in the disposal of *your* closer sheets, and the closure of all your accounts—and your work will be finished.

You may now peruse carefully the Key, particularly the specimens of Auxiliary Books (534, &c.), and the article on General Partnership (589, &c.).

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HIGH SCHOOL OF THE FRANKLIN INSTITUTE.

MR. HITCHCOCK,

Sir,—Your system of Book-keeping having been found, at the opening of the High School, adapted to the course of instructions which were to be given in that branch, was adopted as the text-book, and is now in use in this institution.

Very respectfully, yours,
WALTER R. JOHNSON.

FROM THE AMERICAN JOURNAL OF EDUCATION.

A New Method of Teaching the Art of Book-keeping. By I. Irvine Hitchcock. Philadelphia,

MR. HITCHCOCK'S method is ingenious, and, in some particulars, quite novel. It is a bold deviation from the dull routine established by the old systems. Book-keeping used to be treated as a dark and mysterious subject, to the knowledge of which the learner must worry his way through a world of puzzling and perplexity. The new method is plain and intelligible: the subject is simplified as far as possible: no intricacy remains, but that which is inseparable from the complicated nature of some mercantile transactions. A boy of fourteen may now take up this branch of education, with a rational hope of making as much progress in it as any other.

Mr. H.'s work is, we think, highly creditable to him, both as an accountant and a teacher. We ought to say more. It speaks favourably for our country, in this branch of instruction. The most popular English treatise on this subject, is perhaps Morison's, a work of deserved reputation for its practical character. Compared with Hitchcock's, however, it will be found inferior in simplicity of plan, and in the quantity of useful exercise.

As a school-book, Mr. H.'s publication seems to us to possess a decided superiority over the various works on book-keeping, which, in several years' practice in teaching, we have had occasion to use; and we would warmly recommend it to other instructers.

Mr. H.'s plan being chiefly original, and the form of his work making it impossible to introduce extracts, it may not be amiss to mention some of the peculiar advantages of his system.—It furnishes the learner with a set of entries or a day-book in a printed form, and so saves the labour of copying what it is unnecessary to copy. Those parts of the subject are withheld from the pupil, which it is his business to find out for himself, by the application of the rules which he has learned. Every such part, however, is furnished in a separate book, called a Key, which is designed for the use of the teacher, and saves him the toil of examining minutely the work of every pupil—a task which, in a large school, can seldom be thoroughly performed. The study of the whole subject is carefully graduated; the learner being conducted by regular advances from the simpler and easier parts to the more complex and difficult. Accounts are presented, first, as kept by a person trading for himself only; secondly, as kept by a commission merchant; and thirdly, as in special partnership. It is not its least recommendation, that this work is published in a form adapted to the size of most school desks; and the quality of the blank books, as well as the neat style in which they are finished, is much to the credit of the publishers.

In executing his plan, the author seems constantly to have aimed at perspicuity of style, and plainness of expression in definitions. He has taken great pains to adapt his whole system to the minds of the young. His work is, as every school-book ought to be, copious in explanation and in practical exercises. It enables the pupil to go as far as possible in instructing himself, it incites him to activity, and gratifies him with the consciousness of improving, to a great extent, by independent effort.

In the existing practice of some mercantile houses, the pupil might find some things at variance with the new method. But, as the great merit of the system on which he is taught, is, that it makes the subject perfectly familiar to him, he will find no difficulty in adapting its minor details to particular circumstances.

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